# CASE 12

# Reorganizing Yahoo!

P. Indu and Vivek Gupta

*"We're putting the right people in the right places to execute our focused growth strategy. Yahoo! has an extraordinarily skilled and experienced group of senior executives and we're adding outside senior talent to this already strong team. Our new structure gives us the opportunity to draw more fully on Yahoo!'s deep bench of talent, both at the new group level and down through the organization, while also increasing accountability, reducing bottlenecks and speeding decision-making. We'll also continue to drive sustained innovation by recruiting, developing and retaining the best talent in our industry."*[1]

TERRY SEMEL, CHAIRMAN & CEO, YAHOO, ON THE COMPANY'S REORGANIZATION PROGRAM ANNOUNCED IN 2006.

*"This is just the beginning of what Yahoo! needs to do. It may take all of 2007. Change like this is evolutionary, not revolutionary. The new division heads will need time to grasp the enormity of the task at hand."*[2]

JORDAN ROHAN, ANALYST RBC CAPITAL MARKETS[3] ON YAHOO'S REORGANIZATION, IN 2006.

## Introduction

**ON FEBRUARY 05, 2006, U.S.-BASED INTERNET SERVICES COMPANY YAHOO! INC.** (Yahoo) moved all its advertisers to a new ranking model called 'Panama' in order to regain customers who had shifted to the Google's[4] more popular AdWords.[5] Yahoo's new algorithm and ranking model would rank the advertisements based on the highest bid on search keywords by the advertiser and the number of clicks. Industry analysts opined that with the new model, Yahoo would be in a better position to challenge Google. Panama received encouraging reviews from the customers and the advertisers. According to Marianne Wolk, analyst at Susquehanna Financial Group,[6] "The early feedback on Panama is strong. Click-through rates are better than expected."[7]

In December 2006, prior to the launch of Panama, Yahoo had announced that it was reorganizing the company. The reorganization became necessary as Yahoo found itself unable to generate enough revenues from search-related advertising despite being the most visited Web site on the Internet. Between July 2005 and July 2006, Yahoo's share in total online searches in the United States went down from 30.5% to 28.8% (see **Exhibit 1** for share of online searches by engine in July 2005 and July 2006).

**EXHIBIT 1**
Share of Online Searches by Engine[1]

| | July 05 | June 06 | July 06 | % Change |
|---|---|---|---|---|
| Google Sites | 36.5 | 44.7 | 43.7 | 4.2 |
| Yahoo! Sites | 30.5 | 28.5 | 28.8 | –1.7 |
| MSN Microsoft sites | 15.5 | 12.8 | 12.8 | –2.7 |
| Times Warner Network | 9.9 | 5.6 | 5.9 | –4.0 |
| Ask Network | 6.1 | 5.1 | 5.4 | –0.7 |

*Note:*[1] Total work, home and university Internet users in the United States, Internet population is 100%.

SOURCE: *www.comscore.com.*

In spite of total revenues going up from US$5,257.67 million in 2005 to US$6,425.68 million in 2006, Yahoo's net income fell from US$1,896.2 million to US$751 million (see **Exhibit 2** for Yahoo's Income Statement between 2001 and 2006). According to analysts, the problem was that Yahoo was not focusing on any particular product, but was trying instead to cater to different customers through a single portal. Though Yahoo acquired several companies, it failed to integrate

**EXHIBIT 2**
Income Statement: Yahoo, Inc.
(Dollar amounts in millions)

| Year Ending December 31 | 2006 | 2005 | 2004 | 2003 | 2002 | 2001 |
|---|---|---|---|---|---|---|
| **Total Revenue** | **$6,425.68** | **$5,257.67** | **$ 3,574.52** | **$1,625.10** | **$953.07** | **$ 717.42** |
| Cost Revenue | 2,669.10 | 2,096.20 | 1,342.34 | 370.09 | 162.88 | 157.00 |
| **Gross Profit** | **3,756.58** | **3,161.47** | **2,232.18** | **1,255.01** | **790.19** | **560.42** |
| Selling, General, Adm Expenses | 2,002.48 | 1,397.41 | 1,072.92 | 709.67 | 539.05 | 470.91 |
| Research & Development | 688.34 | 547.14 | 368.76 | 207.28 | 141.77 | 121.47 |
| Depreciation/Amortization | 124.79 | 109.19 | 101.92 | 42.38 | 21.19 | 64.08 |
| Unusual Income (Expense) | | | | | | 63.23 |
| Total Operating Expense | 2,815.61 | 2,053.74 | 1,543.60 | 959.33 | 702.01 | 719.69 |
| Operating Income | 940.97 | 1,107.73 | 688.58 | 295.68 | 88.18 | –159.27 |
| Interest Income, Net Non-Operating | 139.78 | 1,092.45 | 475.95 | 45.98 | 87.69 | 4.36 |
| Gain (Loss) on Sales of Assets | 15.16 | 337.96 | | | | |
| Other, Net | 2.09 | 5.44 | 20.49 | 1.53 | 2.35 | 72.09 |
| Income Before Tax | 1,098.00 | 2,543.58 | 1,185.02 | 343.19 | 178.22 | –82.82 |
| **Income After Tax** | **458.01** | **767.82** | **437.97** | **147.04** | **71.28** | **–9.97** |
| Minority Interest | –0.71 | –7.78 | –2.50 | –5.92 | | |
| Equity in Affiliates | 112.11 | 128.24 | 94.99 | 47.65 | | |
| **Net Income** | **$ 751.39** | **$1,896.22** | **$ 839.54** | **$ 237.88** | **$106.94** | **$ –92.79** |

**Consolidated Balance Sheets Data:**

| | December 31, | | | | |
|---|---|---|---|---|---|
| | 2002 | 2003 | 2004 | 2005 | 2006 |
| | | | (In thousands) | | |
| Cash and cash equivalents | $ 234,073 | $ 415,892 | $ 823,723 | $ 1,429,693 | $ 1,569,871 |
| Marketable debt securities | $1,299,965 | $2,150,323 | $2,918,539 | $ 2,570,155 | $ 1,967,414 |
| Working capital | $ 558,190 | $1,013,913 | $2,909,768 | $ 2,245,481 | $ 2,276,148 |
| Total assets | $2,790,181 | $5,931,654 | $9,178,201 | $10,831,834 | $11,513,608 |
| Long-term liabilities | $ 84,540 | $ 822,890 | $ 851,782 | $ 1,061,367 | $ 870,948 |
| Total stockholders' equity | $2,262,270 | $4,363,490 | $7,101,446 | $ 8,566,415 | $ 9,160,610 |

SOURCES: *finance.google.com and 2006 Annual Report, Yahoo, Inc., 1.33.*

them. Even in search-related advertising, which had emerged as a major revenue generator in the Internet business, Yahoo fell behind its competitor Google, which was generating twice as much revenue on each search ad. The challenges that Yahoo was facing externally were further compounded by the internal turmoil in the company brought about by the complex organization structure and slow decision-making process.

Yahoo delayed several product launches as it wanted to focus on Panama, which had been delayed by more than two quarters. Panama was to be launched in the second quarter of 2006 but was not launched even at the end of 2006. Yahoo's problems were reported widely in the media. At the same time, the *Wall Street Journal*[8] published an internal memo that was circulated by a senior vice president at Yahoo, about the lack of focus in the company due to which its resources were thinly spread across several business segments.

Within a month, Yahoo introduced a new organization structure, under which the company was reorganized into three operating units, namely the Audience Group, the Advertiser & Publisher Group, and the Technology Group with the focus on the customers, advertisers, and technology, respectively. The heads of the three units reported directly to Terry Semel (Semel), chairman & CEO of Yahoo.

Analysts opined that with the reorganization and Panama in place, Yahoo could well be on its way to regaining its lost glory. According to Martin Pyykkonen, analyst, Global Crown Capital,[9] "I'm not forecasting any kind of wholesale shift here, that all of a sudden Google is going to fall by the wayside ... but I do think they (Yahoo) will narrow the gap."[10]

## Background Note

Yahoo was founded by Jerry Yang and David Filo, who began exploring the Internet as a hobby after finishing their doctoral theses in electrical engineering at Stanford University. In April 1994, they created a directory to keep track of their personal interests on the Internet. Gradually, they began to spend more and more time on their directory. Later, Yang and Filo started categorizing Web sites as a way to keep track of all the sites they had visited. They posted this list on the Web as "Jerry and David's Guide to the Worldwide Web."

The guide became very popular and became the first choice of people browsing the Web to find sites intelligently. It helped people to discover useful, interesting, and entertaining content on the Internet. In late 1994, the duo changed the name of the guide to Yahoo,[11] positioning it as a customized database designed to serve different users. They developed customized software to help locate, identify, and edit material stored on the Internet. Yahoo rapidly became popular and attracted a lot of media attention.

Yahoo was formally incorporated in March 1995, and by mid-1995 it had implemented a business plan modeled on traditional broadcast media companies. Through its IPO in April 1996, Yahoo sold 2.6 million shares, raising US$38.8 million.

Yahoo generated its revenues mainly from online advertisements, primarily banner ads[12] and ad placement fees, promotions,[13] sponsorships, direct marketing,[14] and merchandising. It also generated revenues from monthly hosting fees and commissions on online sales from its merchant partners. These included transaction fees generated from the sale of merchandise on its site.

Within the four years from 1997 to 2000, Yahoo reported substantial growth in its revenues. More than 85% of its revenues came from the sale of banners and sponsorship advertising while the remaining came from business services and e-commerce transactions. By mid-2000, Yahoo was drawing more than 180 million unique visitors,[15] which made Yahoo a leading Internet brand.

In late 2000, Yahoo faced several problems owing to the internal rivalry between President Jeffrey Mallett and CEO Timothy A Koogle (Koogle). Its troubles were compounded by the fact that the company had grown complacent and did not adapt to the rapidly changing business environment. Yahoo was heavily dependent on the advertising revenues generated through dotcoms. Once the dotcoms began going out of business, Yahoo's ad revenues declined sharply. The online advertising market was going through major changes, and the advertisers were looking beyond the banner ads, toward ads that integrated the Internet, television, and radio. Yahoo, however, did not understand what kind of advertising would work for the customers. It failed to make any improvements in its business models, which would have allowed it to cater to a wide range of customers. Several key personnel also left the company during the time.

In the first quarter of 2001, with a sharp decline in online advertisement sales, Yahoo reduced its revenue forecast from US$230 million to US$175 million. At a board meeting convened in February 2001, it was decided that Koogle should step down, making way for Semel. Semel brought in several changes in the company and the number of business units was reduced from 44 to just five. He also announced the layoff of 400 people from Yahoo's 3,500 workforce. Several new services, including subscription-based services were introduced.

In order to consolidate its position, Yahoo entered into several partnership deals. One such deal was with Overture, a paid search services[16] provider. The acquisitions made by Yahoo included Hotjobs.com, an online careers site, in February 2002 for US$435 million, and Inktomi Corporation[17] in March 2003 for US$257 million. Yahoo also entered into a licensing agreement with Google to use its search engine technology.

At the end of 2003, Yahoo acquired Overture for around US$1.6 billion. At the time, Overture dominated search-related advertising, and its revenues were almost double that of Google. Through Overture's advertising platform, advertisers could select words and search phrases and bid for them. This enabled their advertisements to be shown along with the regular search results. As Overture was highly successful, analysts opined that Yahoo was making the right moves and could consolidate its position in the rapidly growing online advertising market by acquiring Overture. With Inktomi and Overture,[18] Yahoo was expected to become a domination force in the search advertising market (see **Exhibit 3** for online advertising market in the United States).

## The Problems

Though Yahoo possessed search engine and search advertising technology, integrating both proved to be a difficult task. The engineers in the company had to be convinced that, rather than build the new technology from scratch, it was better to use the acquired technology from Inktomi and Overture. In order to convince the engineers, Semel announced the integration of Yahoo, Inktomi, and Overture to create the best search technology consumers and an effective advertising platform for the advertisers.

However, even until early 2004, Yahoo continued using Google's search engine. In February 2004, Yahoo launched a Web crawler–based[19] search engine, based on Yahoo Slurp.[20] With the prevailing optimism about Yahoo, its stock hit US$36.42 by mid-2004.

Through Overture, advertisements were placed depending on the amount the advertiser had agreed to pay per click. So the advertisements of the highest bidder were placed on the top, irrespective of their relevance. The technology used in Overture could not handle the high traffic expected out of a Yahoo search. Overture required each advertisement to be reviewed and placed with human intervention, and this required a lot of time. To display advertisements based on relevance, Yahoo needed to create new ranking software and a database to measure the clicks the advertisements were receiving. The company planned to spruce up technology and call the project Panama. However, the project ran into trouble with executives from Yahoo and Overture not being able to work together. Meanwhile, by 2004, Google had surpassed Overture in terms of revenues. There were several other areas in which Yahoo faced problems. According to analysts, Yahoo had become a victim of it own success. The company had adopted the model of being a one-stop portal, offering all the services on its website. Over the years, Yahoo's home page grew highly cluttered. The difference was quite stark when compared to Google's home page. Google's home page was simple and user-friendly while Yahoo's homepage had links to a host of products and services, such as

**EXHIBIT 3**
A Note on Online Advertising Market in the U.S.

With the increase in the number of broadband connections, especially after 2000, an Internet advertising market began growing rapidly in the United States. The faster broadband connections offered advertisers an opportunity to dabble with rich media advertising. Moreover, limitations began to surface in the til-then most popular advertising channel, the television, making advertisers look for a better alternative in their efforts to reach the right kind of audience. This led to the emergence of online advertising, especially search-based advertising, where the advertisers chose to advertise only to their target audience. One of the first Internet advertising companies was GoTo.com, later named Overture, which pioneered the concept of paid search. The next player on the horizon was Google, which came out with the idea of payment for advertising according to the clicks the advertisement received. These advertisements were also contextual and were related to the content on the page. On similar lines, companies like Microsoft launched AdCenter and eBay launched AdContext.

Online advertising techniques include banners, pop-ups, pop-unders, search and display ads, and interactive advertising, etc. In display advertising, advertisers pay the online company for space to display the ad, which could be a hyperlinked banner, logo, etc. In the case of sponsorship, the advertisers sponsor a Web site or some of the pages on the website for a particular period. Advertisers opting to advertise through e-mail place their banner ads, links, or newsletters on the e-mails. Other forms of Internet advertising are lead generation, referrals, classifieds, auctions, rich media, and slotting fees.

It is search advertising that remains highly popular. In search advertising, a fee is paid by the advertisers to the online companies to list or link their site domain name to a specific search word or a search phrase. There are different types of search advertising. In paid listings, text links appear at the top of the search results. The advertiser pays only when users click the link. In contextual search, the text links of the advertisers appear depending on the context of the content, irrespective of the search word. Even in this, the advertisers pay the online company only when users click the links. Through paid inclusion, advertisers are guaranteed that their URL is indexed on a search engine.

In the year 2003, Internet advertising was the fastest-growing advertising medium, and by 2005 Internet advertising in the United States was valued at over US$12.5 billion, showing a growth of 30% over 2004. Internet advertising accounted for around 5% of the total advertising revenues in the United States in 2005.

In 2005, keyword search accounted for 34% of the total Internet ad revenue at US$5142 million. Display advertising's share was at 20% with US$2508 million, rich media was US$1003 million, sponsorship at US$627 million, slotting fee US$125 million, classifieds US$2132 million, e-mail US$251 million, and referrals/lead generation about US$753 million.

**Advertising Market in the U.S. (2005)**

| Media | In US$ Million |
|---|---|
| Direct mail | 56.6 |
| Newspapers | 47.9 |
| Broadcast & Syndicated TV | 35.0 |
| Radio | 21.7 |
| Cable TV | 18.9 |
| Consumer Magazines | 12.9 |
| **Internet** | **12.4** |
| Business Magazines | 7.8 |
| Outdoor | 6.2 |

**Internet Advertising – Annual Revenues**

| Year | Revenue (In US$ Million) |
|---|---|
| 1996 | 267 |
| 1997 | 907 |
| 1998 | 1,920 |
| 1999 | 4,621 |
| 2000 | 8,087 |
| 2001 | 7,134 |
| 2002 | 6,010 |
| 2003 | 7,267 |
| 2004 | 9,626 |
| 2005 | 12,452 |

SOURCE: *Adapted from IAB Internet Advertising Revenue Report and PricewaterhouseCoopers.*

e-mail, music, mobile, small business services, health, finance, games, movies, personals, etc. Tucked away among all these was a search engine. Some of the Yahoo employees were of the opinion that the home page suffered "from too many cooks in the kitchen."[21] (See **Exhibit 4** for Yahoo's homepage in 1996 and see **Exhibit 5** for Yahoo's homepage in 2004.)

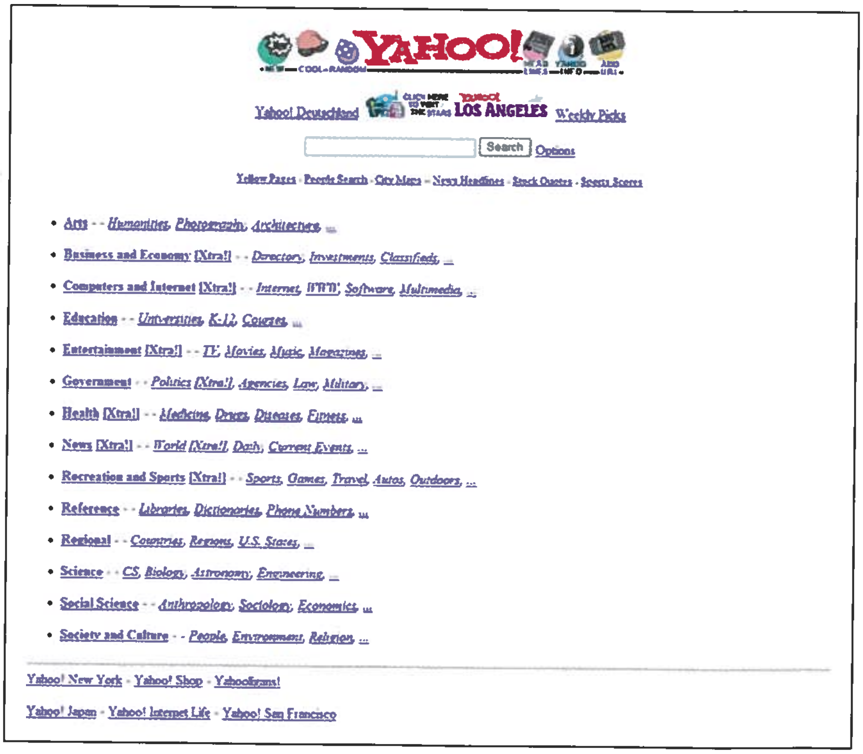
Yahoo seemed unclear about its identity, about whether it was a portal, search engine, or a media company. At the same time, several sites such as Google, eBay,[22] and MySpace[23] were successful in their specialized area, and consumers shifted their preferences to those sites. In the process of diversifying into several areas, Yahoo appeared to have lost its identity. According to Stewart Butterfield, director of project management, Yahoo, and cofounder of Flickr,[24] "There's always been some ambiguity about whether it's a tech company or a media company."[25]

There were other problems too. For instance, Yahoo was the most visited Web site on the Internet, with an average of 500 million monthly visitors as of mid-2006. The company's revenues for the first three quarters of 2006 stood at US$4.5 billion. On the other hand, Google, with 380 million visitors, recorded revenue of US$7.2 billion in the same period. This meant that Yahoo was failing to generate enough revenues from the users visiting its site.

Yahoo had been actively acquiring companies since 2002. Some of the companies acquired by Yahoo were Flickr, Konfabulator, Upcoming.org,[26] Del.icio.us,[27] and Webjay.[28] Konfabulator was a widget[29] engine, Upcoming.org was a social event calendar, Del.icio.us was a bookmarking site, and Webjay, a music playlist service. Yahoo launched Yahoo 360, a social networking service. However, many of these acquisitions could not be integrated with the company's operations. Though all these were part of Yahoo, a user had to log in separately for accessing each of the services (see **Exhibit 6** for some of Yahoo's acquisitions over the years).

Yahoo's problems were compounded by the company's complex matrix organization structure with overlapping responsibilities, which slowed down the decision-making process. Many

**EXHIBIT 4**
Home Page in 1996:
Yahoo, Inc.




SOURCE: *www.cnet.com. Reproduced with permission of Yahoo! Inc. © 2009 Yahoo! Inc. YAHOO! and the YAHOO! logo are registered trademarks of Yahoo! Inc.*

**EXHIBIT 5**
Home Page in 2004: Yahoo, Inc.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new employees in the company were of the view that the company's top-down approach did not encourage creativity. There was little cooperation between the different teams in the company. According to one of the media buyers, even the search and display teams in Yahoo did not communicate with each other. He complained, "Their organization is set up in such a way that we could spend 50 million dollars in search, and not be recognized at all by the display people."[30]

Yahoo had planned to acquire several companies with the objective of boosting its presence in the emerging social networking market. But it failed in these attempts. The company's existing sites were overrun by the competition. Yahoo's plans to acquire Facebook[31] did not meet with success as Facebook backed out of the deal, and YouTube,[32] which Yahoo was planning to acquire, was acquired by Google. Nor did the company's plan to create original content meet with success. Yahoo brought in several high-profile executives like Lloyd Brown from ABC Television Entertainment, as the head of Media group, Neil Budde from the *Wall Street Journal* Online, and David Katz from CBS Television. Yahoo planned to produce television-style programs,

**EXHIBIT 6**
Acquisitions: Yahoo, Inc.

| Year | Acquired Company |
|---|---|
| 2002 | Hotjobs |
| | Inktomi |
| 2003 | Overture |
| 2004 | 3721 Internet Assistant |
| | Kelkoo |
| | Oddpost |
| | The All-Seeing Eye |
| | MusicMatch |
| | Stata Lab Inc |
| | WUF Networks |
| 2005 | Verdisoft |
| | Ludicorp Research (Flickr) |
| | Stadeon |
| | TeRespondo |
| | Dialpad |
| | blo.gs |
| | Konfabulator |
| | Alibaba |
| | Upcoming.org |
| | Whereonearth |
| | del.icio.us |
| 2006 | Searchfox |
| | Meedio |
| | Gmarket |
| | Jumpcut.com |
| | Adlnterax |
| | Right Media |
| | Kenet Works |
| | bix.com |
| | Wretch |

*Compiled from various sources.*

including sitcoms and talk shows for the Internet audience. Within a year, in March 2006, Yahoo announced that it was scaling back these efforts. The content development was not going as planned, and the entertainment unit suffered from the same problems. The employment listings of Yahoo, Hotjobs, could not withstand the competition from other employment sites like Monster and Careerbuilder. David A. Utter, staff writer covering technology and business for webpronews.com said, "Declining ad sales in the finance and automotive markets, a delayed launch of new contextual ad service, and splashy acquisitions by Google have left Yahoo feeling like the last grape in a wine press."[33]

According to Nick Blunden, client services director, Profero,[34] "Yahoo! has lost some of the magic that propelled it into the digital stratosphere in its heyday. While there is no single explanation for this, its quest for growth appears to have undermined the sense of purpose and identity that drove its success. Just a few years ago, Yahoo!'s services seemed to be clustered around themes of communication, content, and commerce and it was renowned for its innovation in these areas. Today, it appears to be a much looser collection of services that are united by the Yahoo! name."[35]

In July 2006, when Semel announced that the launch of Panama would be delayed by three months, the stock took a beating and fell by 22% on a single day. The price dropped from

**EXHIBIT 7**
Quarterly Income Statement (September 2005–September 2006): Yahoo, Inc. (Dollar amounts in millions)

| Quarter Ending | Sep 30, 06 | Jun 30, 06 | Mar 31, 06 | Sep 30, 05 |
|---|---|---|---|---|
| Total Revenue | $1,580.32 | $1,575.84 | $1,567.05 | $1,329.93 |
| Cost of Revenue | 681.12 | 645.77 | 657.94 | 520.24 |
| **Gross Profit** | **899.20** | **930.07** | **909.11** | **809.69** |
| Selling, General, Admin. Expenses | 462.00 | 457.75 | 459.46 | 343.44 |
| Research & Development | 202.09 | 208.74 | 217.58 | 141.62 |
| Others | 32.77 | 34.00 | 30.86 | 54.57 |
| **Total Operating Expense** | **$1,377.98** | **$1,346.26** | **$1,365.84** | **$1,059.87** |
| **Operating Income** | **$202.34** | **$229.58** | **$201.21** | **$270.06** |
| **Net Income** | **$158.52** | **$164.33** | **$159.86** | **$253.77** |

US$32.24 to US$25.24. When Yahoo's third quarter results were announced on October 12, 2006, profits were down by 38% as compared to third quarter of 2005 (see **Exhibit 7** for quarter-wise revenue and net income details of Yahoo). At that time, Semel realized that Yahoo needed to improve its search advertising capability in order to take advantage of growing revenues from that category. One of the founding executives of Yahoo, Ellen Siminoff, said, "A lot of people (at Yahoo) feel abused by the outside world and its perception of the company. They have missed a few quarters this year, they have lowered expectations, they were late in delivering Panama, and so they're in the penalty box with Wall Street."[36]

In October 2006, the *New York Times* published an article titled, "Yahoo's growth being eroded by new rivals" in which it was written that the company was slow in negotiating with other companies. The article particularly referred to Google's acquisition of YouTube. It was said that in spite of being the most popular website, Yahoo had suffered setbacks in advertising, both search related and display advertising. The article quoted David Cohen, senior vice president, Universal McCann,[37] saying that many clients were opting for new sites. He said, "Yahoo has lost the favor it enjoyed a year or two ago. There are more players in town, and the others are closing the gap relative to the things Yahoo is good at."[38] The article said Yahoo was late in launching new products, many of its products did not perform up to expectations, and the company was said to be demanding and inconsistent in carrying out negotiations. The new advertising upgrade was blamed for the delay in developing other products.

Yahoo was said to be competing with established players like CNN in news, ESPN in Sports, Microsoft in e-mail, AOL in instant messaging, Google in Search, and MySpace in social networking. Tim Hanlon, senior vice president, Denuo,[39] said, "It's hard to figure out what they want to be when they grow up, even though they are grown up now. Are they a content company? Are they a service company? Or are they a portal to other things? You ask three people and you may get three different answers."[40]

After the article was published, Brad Garlinghouse, senior vice president, Communications and Communities Products at Yahoo, sent an internal memo to some of the employees. The memo compared Yahoo's activities and investments to a thinly spread layer of peanut butter, as Yahoo was involved in several activities without focus on any particular activity. The memo was leaked to the press and was published in the *Wall Street Journal*. The analogy with peanut butter led to journalists and industry insiders dubbing the memo "The Peanut Butter Manifesto."

In "The Peanut Butter Manifesto," Garlinghouse wrote that Yahoo needed to reduce its workforce by 15–20% by eliminating the unit structure through which the company had spread its attention over several products and services and by decentralizing the matrix structure of the organization. Restructuring Yahoo was necessary to eliminate the existing bureaucracies. Pointing out that different units in the company lacked coordination and were competing with each other, Garlinghouse recommended a major revamp in the corporate structure. According to the *Wall Street Journal*, Garlinghouse's memo was circulated among the top brass of Yahoo.

According to Garlinghouse, Yahoo did not have a particular focus or strategy and was trying to cater to all the customer segments. He felt that the company should focus on a few key areas like video, mobile, and social networking. The memo mentioned that there were several competing silos existing in the company, such as Yahoo Music Engine (YME)[41] and Musicmatch, Yahoo Photos and Flickr, Del.icio.us and Myweb, Messenger Plug-ins and Sidebar widgets, (see **Exhibit 8** for a note on services offered by Yahoo), which were targeted at the same customers (see **Exhibit 9** for excerpts from "The Peanut Butter Manifesto"). According to Allen Weiner, an analyst from Gartner, "Yahoo is by no means out of the game, but [it's time] to execute on a more tightly focused vision. That's what's missing. Garlinghouse is right in saying there are way too many people doing way too many things."[42]

**EXHIBIT 8**
**Services Offered by Yahoo!**

**YME or Yahoo Music Jukebox** is a free music player released in 2005. The features include CD burning, CD ripping, transfer of music to portable devices, playlist creation, music subscription, etc. Several plug-ins are also provided with Yahoo Music Jukebox.

**Musicmatch** is an audio player used to manage a digital audio library. The features include CD ripping, CD playback, Internet audio, and an online music store. Musicmatch was acquired by Yahoo in October 2004.

**Yahoo Photos** is the photo sharing service provided by Yahoo. Through this service, Yahoo users can store photos with a jpeg or jpg extension. The users can create their individual albums, categorize the photos, and can publish the albums for others to see. An uploader tool is provided through which photos can be dragged from the computer and dropped to Yahoo Photos. Using the other services, users can order prints, create calendars or personal stamps. Pictures stored in Yahoo Photos can be shared through Yahoo 360°, displayed on Yahoo Pages, and used through Yahoo Messenger.

**Flickr** is an online community platform that is popular for its photo sharing service and is widely used as a photo repository. Flickr was launched by Canada-based Ludicorp in February 2004. In March 2005, Yahoo acquired Ludicorp.

**My Web** was launched in June 2005 and is a social bookmarking site, which allows users to save the cached copy of their favorite Web pages. These pages are saved to the users' personal "My Web." Users can access these Web pages any time and can conduct searches through these pages. Users can save their Yahoo search results to My Web through Yahoo toolbar.

**Del.icio.us** is social bookmarking Web site that allows the users to store, share, and discover Web bookmarks. This Web site was launched in 2003 and Yahoo acquired it in December 2005. Del.icio.us uses non-hierarchical keyword categorization, with which users can tag bookmarks with any keyword. Most of the content on the Web site is viewable, and users can mark some bookmarks as private.

**Yahoo Widgets** bring the updated view of the favorite services of the users to the desktop. Widget refers to an interface element through which the computer and the user interact. Yahoo has more than 4,000 desktop widgets, with which several tasks can be performed; these include tracking information of the browsing history, weather widget, which downloads the weather forecasts from the selected place, digital clock widget, which shows the time and has an alarm facility, stock ticker widget, which shows updated stock prices, etc.

**Messenger Plug-ins** provide easy access to the user's favorite content. Some of the popular plug-ins include eBay plug-in, which displays the listings and bids on eBay, and Calendar plug-in, which allows users to view calendars. Other plug-ins allow users to listen to music, send invites, plan events, and view the blogs and photos of friends.

**EXHIBIT 9**
Excerpts from 'Peanut Butter Manifesto'

**We lack a focused, cohesive vision for our company.** We want to do everything and be everything – to everyone. We've known this for years, talk about it incessantly, but do nothing to fundamentally address it. We are scared to be left out. We are reactive instead of charting an unwavering course. We are separated into silos that far too frequently don't talk to each other. And when we do talk, it isn't to collaborate on a clearly focused strategy, but rather to argue and fight about ownership, strategies, and tactics.

Our inclination and proclivity to repeatedly hire leaders from outside the company results in disparate visions of what winning looks like—rather than a leadership team rallying around a single cohesive strategy.

I've heard our strategy described as spreading peanut butter across the myriad opportunities that continue to evolve in the online world. The result: a thin layer of investment spread across everything we do and thus we focus on nothing in particular.

**We lack clarity of ownership and accountability.** The most painful manifestation of this is the massive redundancy that exists throughout the organization. We now operate in an organizational structure—admittedly created with the best of intentions—that has become overly bureaucratic. For far too many employees, there is another person with dramatically similar and overlapping responsibilities. This slows us down and burdens the company with unnecessary costs.

Equally problematic, at what point in the organization does someone really OWN the success of their product or service or feature? Product, marketing, engineering, corporate strategy, financial operations . . . there are so many people in charge (or believe that they are in charge) that it's not clear if anyone is in charge. This forces decisions to be pushed up—rather than down. It forces decisions by committee or consensus and discourages the innovators from breaking the mold . . . thinking outside the box.

**We lack decisiveness.** Combine a lack of focus with unclear ownership, and the result is that decisions are either made or are made when it is already too late. Without a clear and focused vision, and without complete clarity of ownership, we lack a macro perspective to guide our decisions and visibility into who should make those decisions. We are repeatedly stymied by challenging and hairy decisions. We are held hostage by our analysis paralysis.

We have awesome assets. Nearly every media and communications company is painfully jealous of our position. We have the largest audience, they are highly engaged and our brand is synonymous with the Internet.

Independent of specific proposals of what this reorganization should look like, two key principles must be represented:

**Blow up the matrix.** Empower a new generation and model of General Managers to be true general managers, Product, marketing, user experience & design, engineering, business development & operations all report into a small number of focused General Managers. Leave no doubt as to where accountability lies.

**Kill the redundancies.** Align a set of new BUs so that they are not competing against each other. Search focuses on search. Social media aligns with community and communications. No competing owners for Video, Photos, etc. And Front Page becomes Switzerland. This will be a delicate exercise – decentralization can create inefficiencies, but I believe we can find the right balance.

My motivation for this memo is the adamant belief that, as before, we have a tremendous opportunity ahead. I don't pretend that I have the only available answers, but we need to get the discussion going; change is needed and it is needed soon. We can be a stronger and faster company—a company with a clearer vision and clearer ownership and clearer accountability.

We may have fallen down, but the race is a marathon and not a sprint. I don't pretend that this will be easy. It will take courage, conviction, insight, and tremendous commitment. I very much—look forward to the challenge.

SOURCE: *Yahoo Memo: The 'Peanut Butter Manifesto,' The Wall Street Journal, November 18, 2006.*

## The Reorganization Program

On December 5, 2006, Semel announced the reorganization of Yahoo and major changes in its executive team. Semel announced, "Yahoo! is now entering what I call its third phase—focused on customers. We're seeing the competitive and advertising landscapes evolve yet again and today we announced the realignment that we believe will let Yahoo! capture the major growth opportunities ahead."[43]

Though it was widely speculated that Yahoo's announcement of reorganization was prompted by the leaked memo, the company denied this and said that reorganization was already in the process. According to Semel, "Now, I know what you're thinking—this is all about peanut butter. Actually, we've been orchestrating this plan for a number of months as we envisioned the next phase of growth for the Internet. Following our third quarter results, I very openly discussed that we were going to become more focused and bring about change."[44] (see **Exhibit 10** for key objectives of Yahoo's reorganization).

The reorganization aimed at making Yahoo leaner, more nimble, and responsive to customers. Through the reorganization, the company planned to align its operations with the key customer segments of audiences, advertisers, and publishers and capture the emerging growth opportunities especially on the Internet, and become more customer-focused with the support of technology. Yahoo was reorganized around three groups, with two groups, the Audience Group, and the Advertising & Publishing Group, focusing on the customer. The third group, Technology Group, aimed at strengthening the technology function in the company. The heads of the three groups reported directly to Semel.

The **Audience Group's** main focus was on creating user experiences and at the same time, generating value for the advertisers. The group was a result of the merger of seven existing product groups in the company, and was created to maintain a better focus on the customer. According to Yahoo, the focus of the Audience Group was to "enhance its existing products in search, media, communities and communications; build social media environment across Yahoo!; open more opportunities for users to take advantage of Yahoo! tools and services off network and through mobile and digital devices; and pursue growth opportunities in emerging international markets."[45] The Audience Group focused on different services offered by Yahoo, which included search, e-mail, messenger, e-commerce, music, and video. Through reorganization, Yahoo aimed to bring coherence to the wide array of services it provided. The creation of the Audience Group was expected to transform the company into a social media provider and help it bring in the content that was relevant to the audience.

**EXHIBIT 10**
Key Objectives of Reorganization

**Expand customer-centric culture and capabilities.** Yahoo! will develop rich experiences for each audience segment and deliver solutions to meet the needs of all advertisers and publishers worldwide. Yahoo! will organize its services around audience segments and advertising customers, rather than around products.

**Create leading social media environments.** Yahoo! will leverage its strong positions in community, communications, search, as well as media content across its global network to create leading social media environments, which will encourage every user on the Yahoo! network to participate in the consumption and publishing of information, and knowledge through tagging, reviewing, sharing of images and audio, and other social media activities.

**Lead in next-generation advertising platforms.** Yahoo! will extend its industry-leading breadth of offerings to give the most diverse array of advertisers, from large brand marketers to local merchants, every opportunity to connect with audiences on and off Yahoo!

**Drive organizational effectiveness and scale.** Yahoo! will recruit and retain the best industry talent and focus its resources on high-impact, network-wide platforms to help capture the most significant long-term growth opportunities.

The **Advertising & Publisher Group's** main task was to manage Yahoo's advertising content, build a large audience in association with Yahoo partner publishers, and create a global advertising network on and off Yahoo sites. The group's aim was to transform the way in which the advertisers connected with their target audience and provide them with more value. Susan L. Decker, who was heading Yahoo! Marketplaces business unit, took over the revamped advertising unit, while continuing to function as the CFO until a new CFO was recruited. The group, with the aim of building a global advertising network, was created combining several existing units, including a search marketing unit, publishing unit, and media sales and graphical advertising unit. The group was created to serve the customer in major customer segments such as large advertisers, large adverting agencies, businesses of small and medium size, resellers, and publishers.

The Advertising & Publisher Group was organized around three functions, which were demand channels, supply channels, and marketing products (see **Exhibit 11** for more about divisions in Advertising & Publishing Group).

The **Technology Group** was headed by Farzad Nazem, chief technology officer (CTO) of Yahoo. This group was responsible for integrated product development, and the Platform & Infrastructure sub-groups were a part of the Technology Group. The group aimed at achieving integration within product development teams. Through this group, Yahoo wanted to channel its investment toward global platforms with high impact and scalability. Leveraging on the investments in communities to create technology and advertising platforms, Yahoo aimed at expanding the advertising network and remaining focused on product development. With the

**EXHIBIT 11**
Divisions in Advertising & Publishing Group

**DEMAND CHANNELS (MARKETING SOLUTIONS)**
Yahoo's demand channels were organized into the Direct Sales Channel and the Online Channel, based on the advertisers. The direct sales channel catered to the advertisers who interacted directly with the company while the online channel was targeted at self-service advertisers, who used online services.

**SUPPLY CHANNELS (YAHOO PUBLISHER NETWORK)**
This channel catered to publishing customers, and was responsible for display and display based ad networks, by securing ad inventory from different Yahoo and non-Yahoo sites. Yahoo planned to offer its advertising customers a wide range of marketing products and also high quality customers through this channel.

**MARKETING PRODUCTS DIVISION**
The marketing products division connected the demand and supply channels, by connecting the marketing offers from demand channels with ad inventory generated by different Yahoo channels. This division was responsible for developing products and marketplaces that would offer effectiveness for advertising customers and monetization for publishing customers. The division comprised search and listing marketplaces, and display marketplaces. These marketplaces were supported by project management, and engineering teams.

**LOCAL MARKETS & COMMERCE DIVISION**
This division, formerly known as Marketplaces, was brought under the Advertising & Publishing Group. This included shopping, travel, autos, hotjobs, personals, and real estate.

**STRATEGIC MARKETING & MAJOR INITIATIVES**
The main task of this division was to work closely with other divisions in the Advertising & Publishing group, and bring in a unified marketing strategy and customer and market segments.

SOURCE: *Adapted from E-Mail Titled 'Update on APG Organization' Sent by Susan Decker to all Yahoo! Employees on February 14, 2007. Retrieved from www.techcrunch.com.*

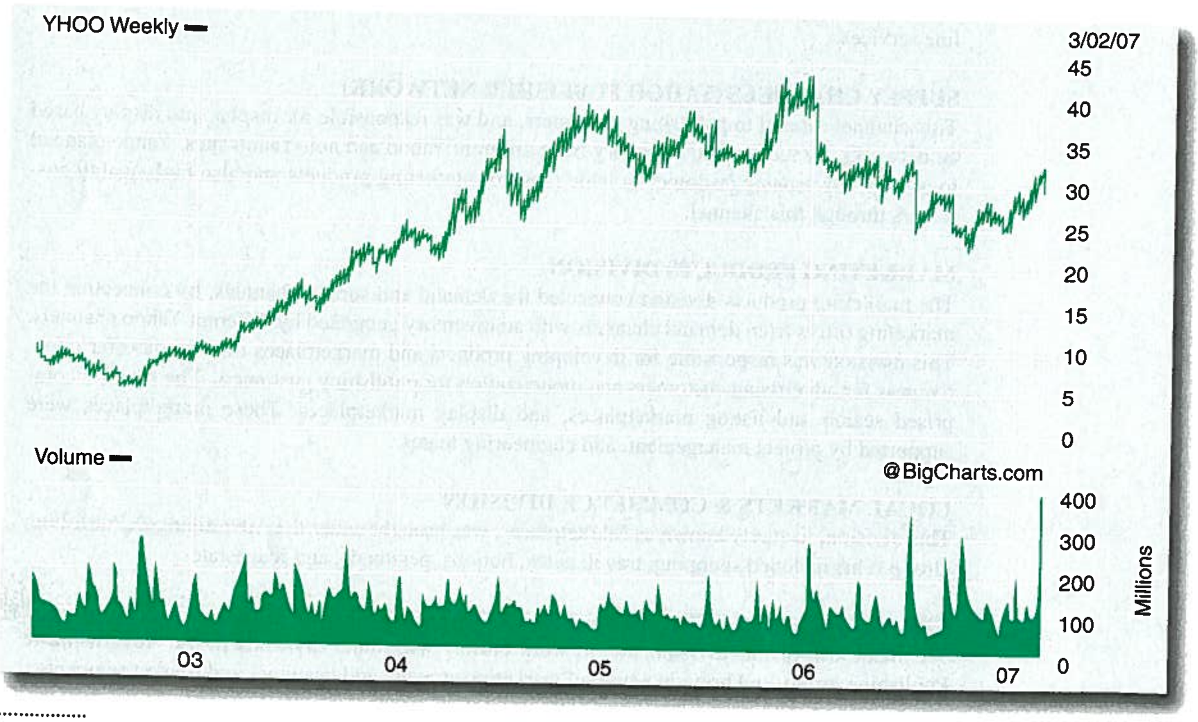
centralized technology group, it was expected that users could access all the services provided by Yahoo products with a single Yahoo e-mail account. According to Justin Port, analyst with Merrill Lynch,[46] "The elevated status of the Technology Group underscores management's commitment to improving product innovation."[47]

As part of the reorganization program, which was expected to be completed by the end of March 2007, three executives—Dan Rosensweig, COO, Lloyd Braun, head Media Group, and John Marcom, senior vice president, International Operations, resigned from the organization during the first quarter 2007. The reorganization program also led to a new mission statement for Yahoo: "to connect people to their passions, their communities, and the world's knowledge." Analyst opined that the new mission statement signified the fact that Yahoo had put people at the center of their strategy. They said that by restructuring, Yahoo was changing its focus to eliminate redundancies and increase accountability and decision making and emerge as a customer-focused organization.

## The Road Ahead

Yahoo's reorganization was expected to eliminate the bureaucracy that had crept into the company over a period of time. After the reorganization was announced, the company's stock price fell by 2% to US$26.86. Industry experts were of the view that it was high time Yahoo was reorganized, as the previous reorganization[48] was done about five years back (see **Exhibit 12** for Yahoo's stock price chart).

**EXHIBIT 12**
Stock Price Chart (April 2002–March 2007): Yahoo, Inc.




SOURCE: *www.bigchart.com*

Another strategy that Yahoo adopted was "Brand Universe" through which it planned to develop sites dedicated to high-profile entertainment brands, including television shows like *Lost*[49] and *The Office*,[50] video games like Halo[51] and The Sims,[52] and movies like *Harry Potter*.[53] Through Brand Universe, Yahoo planned to link entertainment content across different Yahoo services and Web sites. All the entertainment partners would also be informed about the traffic their content was attracting, the reach of the brands, and other such details. The fact the YouTube was planning to include short advertisements before each video clip was expected to boost Yahoo's ability to attract visitors, as visitors who wished to skip the advertisements would opt for other alternatives, such as Yahoo.

To spruce up Yahoo News, which was accessed by 34 million unique users every month as of 2006, Yahoo launched video content in association with CBS owned stations. Yahoo News served over 60 million video streams per month as of February 2007.

In November 2006, Yahoo entered into an agreement with a consortium of nine companies, representing more than 170 newspapers in the United States. The consortium included Hearst Newspapers, MediaNews Group, Cox Newspapers, Lee Enterprises, Journal Register, and EW Scripps. As per the agreement, the newspapers started using Yahoo HotJobs from December 2006 onward. Both the parties were expected to benefit from the deal, as Yahoo would get regional exposure while advertisements from local newspapers would acquire a wider reach. Over a period of time, other content such as local news and advertisements were also planned to be included.

In the first week of December 2006, Yahoo released a mobile social networking service called Mixd with which customers could coordinate outings and meetings with friends using text messages and photo messages. The activities were simultaneously posted on the Web page. The service was targeted at young users of 18–25 years of age and Yahoo started marketing the service in some university campuses in the United States.

According to industry experts, Yahoo was on the right path in proposing a restructuring plan; however, what mattered most was how the plan was executed. They said Yahoo should be careful in executing the reorganization program. Analysts also opined that the reorganization might take some time to show results. Meanwhile, Yahoo had to face competition not only from existing players but also from new ones, which were making their presence felt in the market. Yahoo needed to generate more revenues from social media and user-generated content. There were suggestions that Yahoo could consider a merger with AOL or Microsoft, as neither of these companies was strong in search engine technology. Any such deal, according to analysts, would help Yahoo compete with Google effectively.

Analysts were of the opinion that as Yahoo was one of the most popular sites attracting millions of unique visitors, through Panama, it could increase the number of clicks on the ads, and thus generate more revenues. Commenting on Panama, Paul Kedrosky, partner, Ventures West,[54] said, "It doesn't have to be as good as Google, Yahoo has this bazooka. It stomps Google in page views. And Yahoo is still the king of audience. There is a huge upside for them."[55] Yahoo also had another advantage of having specialized sites like Yahoo Finance, Yahoo Real Estate, Yahoo Tech, etc. through which it could charge a premium from advertisers who were targeting a particular set of audience.

Yahoo itself considered 2007 to be a year of transition with many challenges to face. Analysts too were of the same view, as Imran Khan, analyst at JP Morgan Chase,[56] said, "The coming year will be challenging, in terms of numbers. The management change doesn't fix the problem. There are lots of new competitors and Yahoo is not as well-positioned in search as Google."[57]

Within one month of the launch of Panama, Yahoo experienced better click-through rates for sponsored search ads. comScore[58] analyzed the click-through rates before and after the launch of Panama, by dividing the total clicks on sponsored search ads by the total search ads. It was found that after the launch of Panama, in the first week the click-through ads grew by 5% compared to a week before the launch. By the second week, the click-through rates rose to 9%.

Some analysts were of the view that Yahoo's wide array of service had attracted millions of users to the portal. These users did not need to go to different Web sites to access different services. They said that Yahoo should continue to provide all these services, and should only look at revamping its advertising services and better search engine.

Industry experts also opined that the problem lay not with Yahoo but with advertisers, who were highly optimistic about search-based advertising and its prospects. They felt that Yahoo, even if it came up with the best in terms of search engine, would not be able to compete with Google. Yahoo remained strong in financial forums and community sites like Flickr and del.icio.us. Instead of trying to attract customers from Google, Yahoo could target competitors like MSN and ask.com, opined an analyst from Standard & Poor's.

However, industry experts remained optimistic about Yahoo's future prospects after its reorganization and the launch of Panama. According to comScore Media Networks, Google's share in the Internet search market in the United States stood at 47.5% in January 2007, while Yahoo's share was at 28.1%. According to Nick Blunden, client services director, Profero, "Despite recent challenges, the Yahoo! business has a lot going for it. The brand is a fantastic asset with extraordinary levels of awareness. Yahoo! also retains one of the single biggest online audiences worldwide. Finally, while it may not have outright market leadership in all of its services, many of them are extremely competitive."[59]

## NOTES

1. "Yahoo! Re-Aligns Organization to More Effectively Focus on Key Customer Segments and Capture Future Growth Opportunities," Yahoo press release, December 05, 2006.
2. "Yahoo Shake-up to Take on Rivals," http://news.bbc.co.uk, December 6, 2006.
3. RBC Capital Markets, a part of Royal Bank of Canada, is a corporate and investment bank providing a wide range of services and products catering to institutions, corporations, and governments across the world.
4. U.S.-based Google has specialized in Internet search and online advertising. As of December 2006, the company's revenue was at US$10.604 billion and net income stood at US$3.077 billion.
5. Adwords allows advertisers to place their advertisements on Google's search results. It provides pay-per-click advertising and site-targeted advertising for text and banner ads.
6. The Susquehanna Financial Group is a part of Susquehanna International Group of companies of SIG, which comprises several trading and investment related companies. The company's primary focus is on investment banking, trading, and institutional sales and research.
7. Paul R. La Monica, "Yahoo! Thumps Google on Wall Street," CNNMoney.com, March 05, 2007.
8. Dow Jones & Company-owned *Wall Street Journal* is a daily newspaper published from New York, with a circulation of around 2 million per day.
9. Global Crown Capital is a San Francisco–based boutique investment firm, specializing in objective and actionable research, institutional sales and trading, hedge funds, wealth management, and asset management.
10. Michele Gershberg, "Yahoo's New Ad System Could Boost Growth: Analysts," Reuters, January 24, 2007.
11. Yahoo! is the abbreviation for Yet Another Hierarchical Officious Oracle.
12. Banner advertisements appear on Web pages within various Yahoo channels. Hypertext links were embedded in each banner advertisement to give users instant access to the advertiser's Web site, to obtain additional information, or to purchase products and services.
13. Promotional sponsorships were typically focused on a particular event, such as sweepstakes. The merchant sponsorship icon advertised products. Users had to click on the icon to complete a transaction.
14. Direct marketing revenues came through e-mail campaigns targeted at Yahoo's registered users who had indicated their willingness to receive such promotions.
15. While tracking the number of visitors on a Web site, unique visitor refers to a person who visits a Web site more than once within a specified period of time. Through the use of software, a company can track and count Web site visitors and can also distinguish between visitors who visit the site only once and unique visitors who return to the site.
16. Pioneered by Overture, the "paid search" advertising model is also know as "pay-per-click" model. In this model, Overture provided an auction room for online advertisers, whose bidding determined how prominently their link will be displayed. Overture then provided a list of these advertisers to customers, including Yahoo! and shared with them the advertising revenues once the visitors on Yahoo's site clicked on those ads.
17. Based in California, Inktomi is a pioneer in Web search technology. The company was a leading provider of Web search and paid inclusion services.
18. Yahoo renamed Overture as Yahoo Search Marketing.
19. Web Crawler, also known as Spider, is a program that visits Web sites and reads their pages and other information in order to create entries for search engine index.
20. Yahoo Slurp, a Web crawler, is used to put content into the search engine. Yahoo Slurp was based on the Web search technology of Inktomi.
21. Robert Hof, "Five Steps to Get Yahoo Back on Track," BusinessWeek, December 7, 2006.

22. eBay.com is an online auction and shopping Web site managed by the U.S.-based Internet company eBay Inc. In 2005, eBay Inc. recorded revenues of US$4.55 billion.
23. MySpace is a social networking Web site and its content includes personal profiles, blogs, groups, photos, music, and videos. The parent company of MySpace is News Corporation.
24. Flickr is a photo sharing Web site and an online community platform. It was launched by Ludicorp in 2004. In March 2005, Yahoo acquired Ludicorp and Flickr.
25. Jeremy Caplan, Jeffrey Ressner, "How Yahoo! Aims to Reboot," Time South Pacific, February 12, 2007.
26. Upcoming.org is a social events calendar that used user-generated content and social media to capture event information. Yahoo acquired the company in October 2005.
27. Del.icio.us is a social bookmarking Web service used for storing and sharing bookmarks. Yahoo acquired the company in December 2005.
28. Webjay is a Web-based playlist service, containing links to audio files on the Web. Yahoo acquired Webjay in January 2006.
29. Widget is a small application with a graphical interface component that can be used to perform a variety of functions like search, photo, and mapping services. Widgets run on the desktops without use of browsers. Through the widgets the portals can draw visitors directly from the desktop.
30. Gavin O'Malley, "Madison Ave: Yahoo Overhaul Might Fall Short," Online Media Daily, December 8, 2006.
31. Facebook is a social networking Web site, focused on college and university students. It is the seventh most visited Web site in the United States and boasts of several photo uploads. The Web site was founded by Mark Zuckerberg, a sophomore at Harvard University, in February 2004.
32. YouTube is a video sharing Web site that allows the users to upload, share, and view video clips, and was founded in February 2005. YouTube was named *Time* Magazine's Invention of the Year for 2006. In October 2006, Google acquired YouTube for US$1.65 billion.
33. David A. Utter, "Yahoo Pressed from All Sides," www.webpronews.com, October 13, 2006.
34. London-based Profero, is a digital marketing agency that provides services like Web development, search and affiliate marketing, advertising, media planning and buying, and relationship marketing. The clients of Profero include CNN, Sky TV, BBC World, Black & Decker, Singapore Airlines, Johnson & Johnson, and Merrill Lynch.
35. Gemma Charles, "Yahoo!" Marketing, January 3, 2007.
36. Jeremy Caplan, Jeffrey Ressner, "How Yahoo! Aims to Reboot," *Time South Pacific*, February 12, 2007.
37. Universal McCann was created in 1999 through the consolidation of the media operations of McCann Erickson. The company's worldwide billings stood at US$13 billion in 2006.
38. Saul Hansell, "Yahoo's Growth Being Eroded by New Rivals," *New York Times*, October 11, 2006.
39. Denuo is the media futures consulting arm of the Publicis Groupe, the fourth largest communications company. The company has a presence in 104 countries across the world. Denuo is actively involved in strategic consulting, ventures and partnerships, and catalyst and activation.
40. Saul Hansell, "Yahoo's Growth Being Eroded by New Rivals," *New York Times*, October 11, 2006.
41. In August 2006, the Yahoo Music Engine was renamed Yahoo Music Jukebox.
42. "Peanut Butter Sticks to Yahoo," www.infoworld.com, November 27, 2006.
43. Terry Semel, "Taking Yahoo Forward," http://yodel.yahoo.com, December 5, 2006.
44. Terry Semel, "Taking Yahoo Forward," http://yodel.yahoo.com, December 5, 2006.
45. "Yahoo! Re-Aligns Organization to More Effectively Focus on Key Customer Segments and Capture Future Growth Opportunities," Yahoo press release, December 5, 2006.
46. Merrill Lynch is one of the world's leading financial management and advisory companies, with offices in 36 countries and territories and total client assets of approximately $1.8 trillion. The services provided by Merrill Lynch, its subsidiaries, and affiliates are capital market services, investment banking and advisory, wealth management, asset management, and insurance and banking. In 2005, the company recorded revenue of US$47.78 billion and net income of US$5.046 billion.
47. Robert Hof, "Five Steps to Get Yahoo Back on Track," BusinessWeek, December 7, 2006.
48. A detailed description of Yahoo's previous reorganization is covered in the ICMR case study, "reviving Yahoo!—Strategies that Turned the Leading Internet Portal Around," Reference No. BSTR064 (www.icmr.icfai.org).
49. *Lost* is a highly popular television drama series aired on ABC network in the United States. *Lost* has won several awards, including Golden Globes and Emmys. The series depicts the lives of plane crash survivors.
50. After the success of the BBC series *The Office* in the UK, NBC created a U.S. version of the popular show, which premiered in March 2005. This situation comedy series is set in the office of a paper supply company.
51. Halo is a video game from Bungie Studios, which featured Master Chief, a soldier with superhuman strength and technologically advanced armor.
52. Sims is a computer game published by Maxis. It is a strategic life simulation computer game, about the day-to-day activities of people in a household in fictional SimCity. The game was released in February 2000 and went on to become one of the best selling PC games.
53. *Harry Potter* is a series of novels written by JK Rowling, featuring Harry Potter and his fight against an evil wizard. The movies based on the Harry Potter series were distributed by Warner Brothers.
54. Ventures West is a Canada-based Venture Capital partner, which has invested in more than 150 companies.
55. Catherine Holahan, "Why Yahoo's Panama Won't be Enough," *BusinessWeek*, December 26, 2006.
56. Incorporated in 1800s by Janius S. Morgan, a merchant banker, JP Morgan is one of the leading banks in the United States. In 2001, JP Morgan merged with Chase Manhattan to create the second largest bank in the United States. In July 2004, JP Morgan bought Bank One Corporation, which created an entity with combined assets of US$1.1 trillion. In 2006, the revenues of the merged entity stood at US$61.437 billion and net income at US$14.44 billion.
57. Jefferson Graham, "Yahoo's Shake-up: Too Little, Too Late?" *USA Today*, December 7, 2006.
58. comScore provided marketing and data services to several large businesses and is one of the leading Internet market research companies. comScore provides insight into the online behavior of consumers by tracking the Internet data on the surveyed computers.
59. Gemma Charles, "Yahoo!" Marketing, January 3, 2007.